

PUBLIC DISCLOSURE

MAY 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DANVERS SAVINGS BANK

ONE CONANT STREET
DANVERS, MA 01923

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Danvers Savings Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **May 16, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated " Outstanding "

The institution's Lending Test performance is considered to be "Outstanding", overall. Danvers Savings Bank's level of lending activity, dispersion of loans to low and moderate-income borrowers, and small business loans in amounts less than \$100,000 is deemed to be very good. The bank's community development lending activity level and use of innovative and flexible lending practices are excellent. The remaining criteria are deemed adequate.

Danvers Savings Bank made approximately \$1,145,000.00 in qualified investments that benefited the bank's assessment areas or a broader statewide or regional area which included the bank's assessment areas and is considered to be "High Satisfactory." The level and degree of innovativeness and complexity of qualified investments is considered very good.

The institution's Service Test performance was rated "Outstanding." Danvers Savings Bank maintains a branch network that is readily accessible to all geographies throughout the assessment area. The bank participated and sponsored educational seminars targeting low and moderate-income borrowers, first time homebuyers and small businesses. Danvers Savings Bank's officers and staff, at all levels, have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate income individuals. As noted above, the bank has concentrated primarily on efforts throughout the Boston CMSA.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Danvers Savings Bank, One Conant Street, Danvers, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Danvers Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Danvers Savings Bank is a subsidiary of Danvers Bancorp, Inc. (Danvers Bancorp), a mutual holding company. Danvers Bancorp was formed on November 18, 1998 when Danvers Savings Bank converted from a state-chartered mutual savings bank to a state-chartered stock savings bank. The holding company also owns 100 percent of Danvers Capital Trust I, a special business trust formed March 2, 2001 for the purpose of raising funds to facilitate the acquisition of Revere Federal Savings Bank (Revere Federal), which was completed on September 26, 2001.

Revere Federal was a \$150 million federally chartered thrift, and a wholly owned subsidiary of RFS Bancorp, Inc., a federally chartered stock mid-tier holding company. RFS Bancorp, Inc. was a subsidiary of Revere MHC, a federally chartered mutual holding company. Revere MHC owned 56 percent of RFS Bancorp, Inc. with the remaining 44 percent owned by public shareholders. Danvers Savings Bank acquired 100 percent of RFS Bancorp, Inc.'s publicly issued common stock, liquidated RFS Bancorp, Inc., merged Revere MHC into Danvers Bancorp, and merged Revere Federal into Danvers Savings Bank.

Danvers Savings Bank also has three wholly owned subsidiaries: Conant Ventures, Inc., Partnership Processing Corporation, and Danvers Ventures, Inc. Conant Ventures, Inc. is essentially inactive. Partnership Processing Corporation was established on May 23, 2000 to perform bank-related processing services including electronic data processing of checks, deposits, and related items for Danvers Savings Bank, bank affiliates, and non-affiliated third parties. Such electronic data processing services include record keeping, report preparation, and the provision of other back office operation support services. Danvers Ventures, Inc. was established on August 20, 1998 and holds 100 percent of the stock of Danvers REIT, Inc., a Massachusetts Corporation established for the purpose of holding real estate.

The bank's main office is located at One Conant Street in downtown Danvers. In addition, the bank operates nine full service branch offices located in Danvers, Peabody, Middleton, Beverly, Reading, Revere, Salem, Chelsea, and Newburyport. All offices have Automated Teller Machines (ATMs) that are linked to the NYCE, Cirrus, and X-PRESS 24 networks.

Danvers Savings Bank offers a substantial number of loan products of both a conventional and flexible nature. Fixed and adjustable rate residential mortgages, as well as other consumer loans, such as automobile, boat, home equity, personal and passbook loans are available. Additionally, the bank offers commercial and commercial real estate loans. Flexible loan products include several products targeted towards low and moderate-income individuals and first time homebuyers. Danvers Savings Bank is an approved SBA lender; therefore it offers a number of loan products geared towards meeting the credit needs of small businesses.

As of March 31, 2002, Danvers Savings Bank had total assets of \$724,146,000. Gross loans totaled \$575,500,000, representing approximately 79.5 percent of total assets. Refer to the following table for a complete breakdown of the bank's loan portfolio.

Loan Portfolio

Loan Type	Amount (\$ 000s)	Percent
1-4 Family Residential	\$227,825	39.6
Multi-Family Residential Properties	\$14,933	25.1
Commercial & Industrial	\$74,662	13.0
Commercial Real Estate	\$144,748	2.6
Consumer Loans	\$7,597	1.3
Construction & Land Development	\$105,295	18.3
Other Loans	\$440	0.1
Total	\$575,500	100.0

Source: March 31, 2002, Consolidated Report of Condition.

As shown by the data in the table above, the bank's loan portfolio is diversified. Approximately 39.6 percent of the portfolio consists of 1-4 family residential loans, followed by commercial real estate loans with 25.1 percent, construction and land development loans with 18.3 percent, and commercial and industrial loans with 13.0 percent.

The bank operates in a highly competitive area and faces competition from both state and nationally chartered financial institutions located within the assessment area. Its primary competitors include Eastern Bank, Salem Five Cents Savings Bank, Warren Five Cents Savings Bank, and North Shore Bank, as well as large national banks and national and area mortgage companies.

The bank appears to have adequate resources and no legal impediments that would preclude the bank from helping to meet assessment area credit needs.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of April 5, 2000 assigned a rating of "Outstanding". The previous evaluation performed by the Commonwealth of Massachusetts as of May 17, 1999 assigned a rating of "Outstanding".

DESCRIPTION OF ASSESSMENT AREA

Overview

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The bank currently has two assessment areas that contain 22 cities and towns located in the Boston and Lawrence MSAs. With the exception of Boxford, which is in the Lawrence, MA-NH Metropolitan Statistical Area (MSA), all municipalities in the current assessment area are in the Boston, MA-NH MSA, and all, including Boxford, are within the Boston Consolidated Metropolitan Statistical Area (CMSA). Therefore, the analysis throughout this report will contain one assessment area.

The entire assessment area contains 83 census tracts: 3 (3.6 percent) low-income, 15 (18.1 percent) moderate-income, 46 (55.4 percent) middle-income, 17 (20.5 percent) upper-income and 2 (2.4 percent) designated as N/A.

The low-income tracts are located in Chelsea (2) and Salem (1). The N/A tract in Danvers consists solely of the former Danvers State Hospital and the Hogan Regional Center, a facility for physically and mentally disabled individuals. The N/A tract in Chelsea consists primarily of the Quigley Hospital and Soldiers Home, a medical care and assisted living facility for war veterans.

Housing information obtained from CRA WIZ, based on 1990 census data for the assessment area, indicated that there are 170,435 housing units, of which 61.3 percent are owner-occupied. The following data provides demographic and economic information pertaining to the bank's assessment area:

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Low</i>	3.6	2.2	2.3	0.6	5.2	5.4	\$149,105
<i>Moderate</i>	18.1	19.4	19.9	11.7	33.7	27.3	\$145,564
<i>Middle</i>	55.4	58.7	58.7	61.7	53.1	58.2	\$178,032
<i>Upper</i>	20.5	19.7	19.1	26.0	8.0	9.1	\$223,372
<i>N/A</i>	2.4	0.0	0.0	0.0	0.0	0.0	0
<i>Total or Median</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>\$179,581</i>

Source: U.S. Census

The Town of Danvers is located 17 miles north of Boston and is bordered by Salem, Wenham, Beverly, Topsfield, Middleton, and Peabody. The town's location and easy access to interstate highways have helped it transform from a small farming community to a thriving suburb, known for its municipal services and school system. The surrounding cities and towns included in the assessment area are also suburban in nature.

Economy and Unemployment

Similar to most parts of Massachusetts, the assessment area has been experiencing positive economic conditions over the past few years. However, there have been signs of an economic decline since mid-2001. As of year-end 2000, the unemployment rates in the 22 municipalities that encompass the assessment area ranged from a low of 1.0 percent in Wenham to a high of 3.9 percent in Chelsea, with a majority of the cities and towns below 2.0 percent. As of March 2002, most of the 22 cities and towns unemployment rates had nearly doubled and ranged from a low of 2.8 percent in Topsfield to a high of 7.2 percent in Chelsea.

Community Contacts

Two community contacts conducted during the examination provided relevant information on the assessment area. The contacts were conducted in Chelsea and Peabody and included an organization whose primary goals are to assist individuals in transitional housing and in job growth, as well as an organization whose primary goal is to provide affordable housing. With approximately 22 percent of the households in the assessment area in the low and moderate-income category, there is a strong need in the community to create more affordable housing. The escalating housing values in the area have made home ownership opportunities limited for those individuals and families of low and moderate-income. This need for affordable housing appears to be a common theme throughout the assessment area and it is supported by the information provided by the community contacts. In addition, there are a substantial number of small businesses that have helped to create and sustain numerous job opportunities within the assessment area. The need for increased small business lending was also stressed, as small businesses are essential in supporting the local economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Outstanding." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

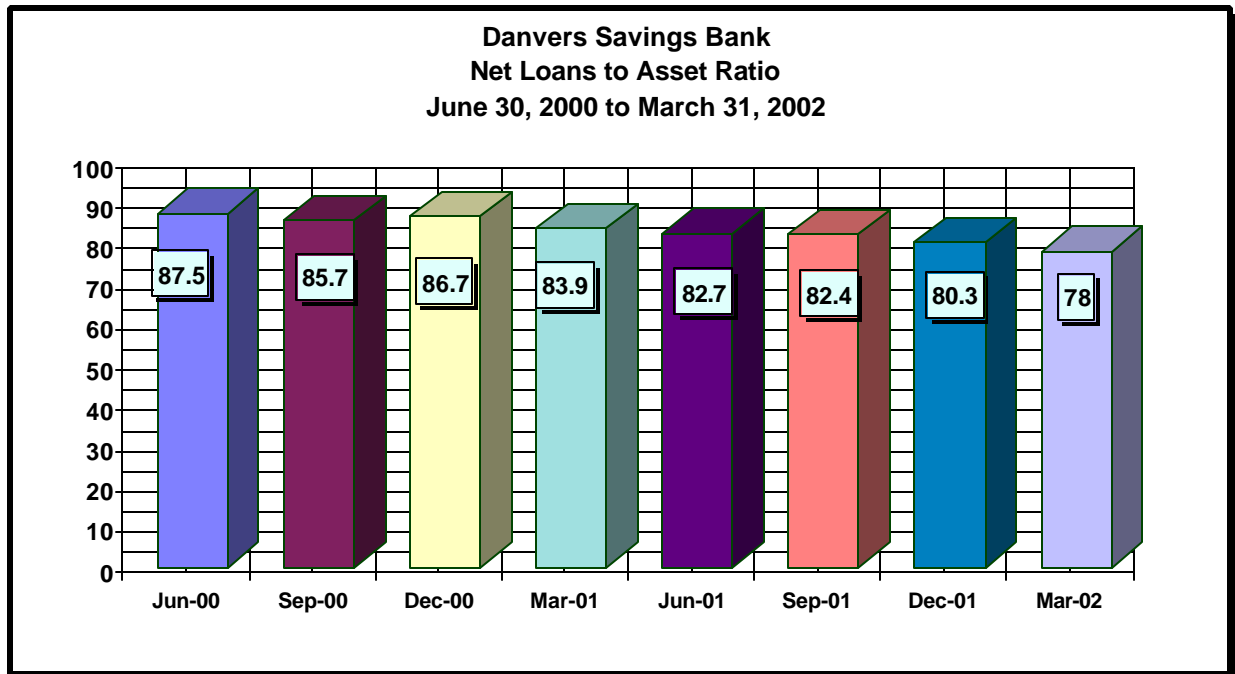
Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage loans originated during 2000, 2001, and year-to-date March 31, 2002, were included in the bank's performance. Small business loans originated during 2000, 2001, and year-to-date April 30, 2002, were also included in the bank's performance.

The data used to evaluate the bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act (Loan Application Register) and the bank's CRA Disclosure Statement.

I. Lending Activity

As of March 31, 2002, Danvers Savings Bank had assets totaling approximately \$724,146,000, as reported in the quarterly FFIEC Call Report. Over the last eight quarters, the bank's assets have increased by \$303,432,000 or 72.1 percent. The following chart details the net loan to asset ratios for the period under review.



Source: FFIEC Call Reports

During the period June 30, 2000, to March 31, 2002, the bank's net dollar amount of loans increased by 53.4 percent, which is lower than the 72.1 percent of asset growth, resulting in a decrease in the bank's loan to asset ratio. The net loan to asset ratio has slightly declined over the time period, going from a high of 87.5 percent on June 30, 2000 to a low of 78.0 percent on March 31, 2002, for an average over the period of 83.4 percent.

Further analysis was conducted on the bank's net loan to deposit ratio for the eight quarters under review. The average net loan to deposit ratio over the past eight quarters was 111.2 percent. The ratio has exceeded 100.0 percent each quarter under review. A ratio at this level indicates that funds in excess of total deposits have been reinvested to fund loans. In order to do this, the bank has utilized Federal Home Loan Bank advances to offset the lower level of deposits. In addition, the bank has sold a number of SBA-backed loans on the secondary market, raising additional capital to fund loans.

HMDA-Reportable Lending

Danvers Savings Bank's 2000, 2001, and year-to-date March 31, 2002, Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. The bank has originated a good level by number and dollar volume of HMDA reportable loans within its assessment area during the evaluation period. As noted in the table below, 70.2 percent of the number and 59.1 percent by dollar amount were originated in the assessment area. Refer to the following table for more information of each calendar year.

<i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2000</i>	84	68.3	15,059	57.8	39	31.7	11,005	42.2
<i>2001</i>	153	72.5	30,962	60.6	58	27.5	20,103	39.4
<i>2002*</i>	38	65.5	8,952	56.5	20	34.5	6,883	43.5
<i>Total</i>	<i>275</i>	<i>70.2</i>	<i>54,973</i>	<i>59.1</i>	<i>117</i>	<i>29.8</i>	<i>37,991</i>	<i>40.9</i>

Source: HMDA LAR, Cra Wiz

* Year to Date March 31, 2002

The most recent aggregate data available for the assessment area is for calendar year 2000. Aggregate data includes other HMDA-reporters comprised of bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. During 2000, Danvers Savings Bank originated 84 loans within its assessment area. This ranked the institution 46th overall with a market share of 0.49 percent in the assessment area, which includes 420 lenders. Collectively, the top 5 lenders captured 21.25 percent of the market share. Of the top 5 lenders, 3 are significantly larger banks than Danvers Savings Bank including 2, which have a physical presence in the assessment area. The remaining 2 institutions are large mortgage companies. The top 5 lenders in the assessment area are BankBoston, Sovereign Bank, Countrywide Home Loans, North American Mortgage Company, and Ohio Savings Bank.

Further analysis indicated the bank ranked 3rd within the Town of Danvers in residential lending.

Small Business Lending

Danvers Savings Bank's Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions."

The bank has shown a high level of responsiveness to small business credit needs by originating a significant volume of small business loans within its assessment area. The bank originated 791 small business loans totaling \$102,015,000 during this period. A total of 517 loans totaling \$59,000,000 were originated to businesses within the bank's assessment area, representing 65.4 percent by number and 57.8 percent by dollar volume. Refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

<i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2000</i>	225	66.2	20,680	52.7	115	33.8	18,577	47.3
<i>2001</i>	230	64.1	28,851	58.8	129	35.9	20,253	41.2
<i>2002</i>	62	67.4	9,469	69.3	30	32.6	4,185	30.7
<i>Total</i>	517	65.4	59,000	57.8	274	34.6	43,015	42.2

Source: CRA Data Collection

Danvers Savings Bank ranked 3rd in SBA lending in Massachusetts in 2000 and 2001, behind Fleet Bank and Citizens Bank of Massachusetts. This is considered commendable, given Danvers Savings Bank's asset size, which is much smaller than the two aforementioned institutions.

Danvers Savings Bank's residential and small business lending activity reflects a good level of responsiveness to the assessment area credit needs. This conclusion is based upon the level of competition, asset size of the institution and composition of its loan portfolio.

II. Geographic Distribution

HMDA-Reportable Lending

The HMDA-reportable loans located within the bank's assessment area were analyzed to determine their location by census tract income level. The following table provides a breakdown, by number, of Danvers Savings Bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also compares the bank's performance with the percentage of owner-occupied housing units within the assessment area, for each of the census tract income categories. The percentage of loans originated within low-income census tracts exceeds the percentage of owner-occupied housing units in the low-income category (1.1% compared to 0.6%). However, the bank's percentage of lending within moderate-income census tracts falls below the proportion of housing units within tracts in the moderate-income category (7.6% compared to 11.7%).

Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% Total Owner-Occupied Housing Units	2000		2001		2002*		Total	
		#	%	#	%	#	%	#	%
Low	0.6%	1	1.2	2	1.3	0	0.0	3	1.1
Moderate	11.7%	5	6.0	10	6.5	6	15.8	21	7.6
Middle	61.7%	59	70.2	112	73.2	17	44.7	188	68.4
Upper	26.0%	19	22.6	29	19.0	15	39.5	63	22.9
Total	100.0	84	100.0	153	100.0	38	100.0	275	100.0

Source: U.S. Census, HMDA LAR

*Year to Date March 31, 2002

The geographic distribution of the bank's loans by census tract income category may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is for calendar year 2000 and is presented in the following table.

Distribution of HMDA Reportable Loans - Danvers Savings Bank Compared to All Other Reporters – Total Assessment Area								
Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Danvers Savings		All Other Reporters		Danvers Savings		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	1	1.2	294	1.7	256	1.7	35,504	1.3
Moderate	5	6.0	2,694	15.8	970	6.4	373,585	13.7
Middle	59	70.2	10,248	60.2	9,901	65.8	1,576,234	57.9
Upper	19	22.6	3,785	22.2	3,932	26.1	735,162	27.0
NA	0	0.0	2	0.1	0	0.0	1,691	0.1
Total	84	100.0	17,023	100.0	15,059	100.0	2,722,176	100.0

Source: 2000 HMDA Aggregate Data

As demonstrated above, the percentage of the bank's lending in low-income census tracts is slightly below that of the aggregate in number and slightly above the aggregate in dollar amount. The percentage of Danvers Savings Bank's lending activity in low-income census tracts was 1.2 percent by number and 1.7 percent by dollar amount in 2000. In comparison, the aggregate originated 1.7 percent by number and 1.3 percent by dollar amount in low-income census tracts. In addition, the bank's percentage of lending in moderate-income census tracts, by both number and dollar amount is well below the aggregate. The bank's percentage of lending activity in moderate-income tracts was 6.0 percent by number and 6.4 percent by dollar amount in 2000. In comparison, the aggregate originated 15.8 percent by number and 13.7 percent by dollar amount in moderate-income census tracts.

In 2000, the bank ranked 90th in lending to low and moderate-income areas. The top three lenders in the assessment area during 2000 were Sovereign Bank, BankBoston, NA, and North American Mortgage Company.

Small Business Lending

Danvers Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its total assessment area.

The following tables depict this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	2000		2001		2002		Total	
	#	%	#	%	#	%	#	%
Low	6	2.7	12	5.2	2	3.2	20	3.9
Moderate	31	13.8	19	8.3	4	6.5	54	10.4
Middle	158	70.2	173	75.2	38	61.3	369	71.4
Upper	30	13.3	26	11.3	18	29.0	74	14.3
Total	225	100.0	230	100.0	62	100.0	517	100.0

Source: CRA data collection – 2000 through 2002 year to date

The table above indicates that the Danvers Savings Bank made 3.9 percent of its small business loans within low-income census tracts and 10.4 percent within moderate-income census tracts. The majority of small business loans were made in middle-income census tracts, which also comprise the majority of census tracts within the assessment area.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

III. Borrower Characteristics

HMDA-Reportable Lending

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers reported incomes were compared to the median family income of the Boston MSA. These income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income

is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income – Total Assessment Area									
Median Family Income Level	% Total Households	2000		2001		2002*		Total	
		#	%	#	%	#	%	#	%
Low	2.2	4	4.8	9	5.9	0	0.0	13	4.7
Moderate	19.4	17	20.2	31	20.3	7	18.4	55	20.0
Middle	58.7	21	25.0	32	20.9	11	29.0	64	23.3
Upper	19.7	30	35.7	63	41.2	19	50.0	112	40.7
NA	N/A	12	14.3	18	11.7	1	2.6	31	11.3
Total	100.0	84	100.0	153	100.0	38	100.0	275	100.0

Source: U.S. Census, HMDA LAR

The bank extended 13 loans to low-income borrowers representing 4.7 percent of total loans within the assessment area. This is well above the 2.2 percent of low-income households within the assessment area.

In addition, the bank extended 55 loans to moderate-income borrowers, representing 20.0 percent by number as shown above. The number of loans is slightly above the 19.4 percent of moderate-income households within the assessment area. Danvers Savings Bank's lending is well dispersed among moderate, middle, and upper-income borrowers throughout the assessment area.

The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is for calendar year 2000 and is presented in the following table.

Distribution of HMDA Reportable Loans Danvers Savings Bank Compared to All Other Reporters								
Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Danvers Savings		All Other Reporters		Danvers Savings		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	4	4.8	774	4.5	259	1.7	74,827	2.7
Moderate	17	20.2	2,503	14.7	2,068	13.7	290,918	10.7
Middle	21	25.0	4,319	25.4	2,495	16.6	608,674	22.4
Upper	30	35.7	6,075	35.7	6,840	45.4	1,196,772	44.0

NA	12	14.3	3,352	19.7	3,397	22.6	550,985	20.2
Total	84	100.0	17,023	100.0	15,059	100.0	2,722,176	100.0

Source: 2000 HMDA Aggregate Data

As shown above, the bank's percentage of lending to borrowers of low-income is slightly above the aggregate by number, but slightly below the aggregate by dollar amount for 2000. The bank originated 4.8 percent by number and 1.7 percent by dollar amount of the total loans within the assessment area to borrowers of low-income, compared to the aggregate with 4.5 percent by number and 2.7 percent by dollar amount.

HMDA-reportable loans to moderate-income borrowers accounted for 20.2 percent by number and 13.7 percent by dollar amount within the assessment area. Both number and dollar amount are above that of the aggregate which made 14.7 percent of the number of loans to moderate-income borrowers and 10.7 percent of the dollar amount of loans to moderate-income borrowers.

Out of 420 lenders, Danvers Savings Bank ranked 41st in market share in lending to low and moderate-income individuals in the assessment area in 2000. The bank originated 21 loans to low and moderate-income borrowers capturing 0.64 percent of the market. The top three lenders to low and moderate-income borrowers were BankBoston, NA, Countrywide Home Loans, and North American Mortgage Company.

A further analysis indicated that Danvers Savings Bank ranked 1st in market share in lending to low and moderate-income borrowers throughout the Town of Danvers during calendar year 2000.

Small Business Lending

The small business loans originated within the bank's assessment area were further analyzed to determine the typical loan amount at origination. The majority of the 517 small business loans originated in the bank's assessment area, during this time period, had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size								
Loan Size (000s)	2000		2001		2002		Total	
	#	%	#	%	#	%	#	%
< \$100	175	77.8	167	72.6	37	59.7	379	73.3
\$100 - \$250	33	14.7	34	14.8	13	21.0	80	15.5
> \$250 - \$1,000	17	7.5	29	12.6	12	19.3	58	11.2
Total	225	100.0	230	100.0	62	100.0	517	100.0

Source: CRA Data Collection

Small business loans originated within the bank's assessment area, during this period, were also analyzed to determine the distribution among businesses of various sizes. Of small business loans originated during this period, 58.4 percent were granted to businesses with annual revenues of \$1 million or less. The following table depicts the distribution of small business loans within the bank's assessment area by revenue of the business.

Distribution of Small Business Loans by Gross Annual Revenue of Business								
Gross Annual Revenues (000s)	2000		2001		2002		Total	
	#	%	#	%	#	%	#	%
<= \$1,000	137	60.9	128	55.7	37	59.7	302	58.4
> \$1,000	86	38.2	102	44.3	18	29.0	206	39.8
N/A	2	0.9	0	0.0	7	11.3	9	1.8
Total	225	100.0	230	100.0	62	100.0	517	100.0

Source: CRA Data Collection

Based on the information above, the bank's lending to borrowers of different income levels, especially those of low and moderate-income, and businesses of various sizes with small business loans, in particular the very small business loans, reflects a very good performance.

IV. Community Development Lending

Over the two-and-a-quarter year period under review, Danvers Savings Bank made eleven qualified community development loans totaling \$7,939,803. Of the eleven loans, four directly benefit the bank's assessment area. Four loans benefited a broader statewide area. Finally, three loans were outside the assessment area but within a broader statewide area and were given consideration, since the bank appears to have satisfactorily addressed the needs of its assessment area and has sought community development opportunities elsewhere. Descriptions of all eleven loans are as follows:

Inside Assessment Area

Salem Harbor Community Development Corporation (SHCDC)

SHCDC is a Massachusetts nonprofit corporation that provides assistance in the development of affordable housing as well as economic development in the City of Salem.

SHCDC operates two subsidiaries: Advancing Community Business Loan Fund, which

provides technical assistance and non-conventional sources of financing for small and startup businesses in Salem; and Salem Point Rental Properties Corporation (SPRPC) which owns and operates properties that provide housing to low and moderate income families. Danvers Savings Bank has provided three loans to SHCDC and its subsidiaries.

Two loans were made to SPRPC for the purpose of converting an 18-room rooming house into 10 affordable single resident occupancy (SRO) units and two retail units on Lafayette Street in Salem. One loan was made in October 2000 in the amount of \$240,000 and the other was made in April 2001 for \$180,000.

Danvers Savings Bank also committed to participating in the Advancing Community Business Loan Fund in April 2001. The \$150,000 loan fund provides loans to small and startup businesses in amounts ranging from \$1,000 to \$15,000. Credit decisions are made by SHCDC. Danvers Savings Bank participates with six other area institutions. Its share of the participation is \$21,428.

- A loan in the amount of \$256,000 was made in February 2000 to a for-profit entity for the purpose of acquiring an eight-unit apartment building in Salem. All eight units are rented under the Section 8 Housing Program

Broader State-wide Geographic Area (Including Assessment Area)

Massachusetts Housing Partnership Fund (MHP)

Massachusetts State Law requires that before a bank holding company acquire a Massachusetts bank, bank holding company or banking institution, the bank holding company must contribute to the Massachusetts Housing Partnership Fund. The Massachusetts Housing Partnership Fund provides loan financing for affordable housing. The fund commitment must be equal to 0.9 percent of the Massachusetts assets of the acquired institution. In conjunction with Danvers Savings Bank's September 13, 2001 purchase of Revere Federal Savings Bank, Danvers was required to commit \$247,402 to the MHP. The loan financing has a ten-year call period. As of the examination date, there have been no advances. The bank receives credit for the loan commitment amount.

- Three loans were made to affiliate regional non-profit business advisory entities. These non-profits advise small to medium sized manufacturers how to improve efficiency, productivity and profitability which enhances local economies and assists in the creation and retention of jobs. The operation of the entities is primarily funded through state and federal programs. Two of the loans were lines of credit originated in 2001 in the amounts of \$500,000 and \$250,000. The third loan was an increase in the original line of \$250,000 which was increased in January 2002 to \$750,000. Credit is given for the increase in the line of \$500,000.

Outside the Assessment Area

- A loan in the amount of \$1,700,000 was made in May 2000 to a for-profit entity for the purpose of acquiring and renovating four properties containing seventy-two apartment units located in a low-income census tract in a city adjacent to the assessment area.
- A loan in the amount of \$1,175,000 was made in January 2001 to an affordable housing organization to assist in acquiring a 73-unit apartment building in Boston, of which all units will be affordable housing.
- A loan in the amount of \$2,870,000 was made in March 2001 to a for-profit entity to purchase and renovate 90 units of affordable housing located in a moderate-income census tract in a city adjacent to the assessment area.

Danvers Savings Bank has originated several loans that have community development as the purpose; however, they are already listed on the small business register. These loans further illustrate the bank's willingness to originate loans with community development as the primary purpose. The following loans are an example of the bank's activity.

- In July 2001, a loan in the amount of \$150,000 was made to an area non-profit located in Danvers. The non-profit provides educational services in a 24-hour residential setting for troubled youth. Clients are referred to the agency by the State Department of Youth Services and Department of Social Services.
- A loan in the amount of \$300,000 was made in June 2001 to a food-service business located just outside the assessment area. The business has helped stabilize and revitalize the area by providing numerous job opportunities to local residents and rehabilitating an abandoned polluted industrial site that had been designated a "brown field." The loan was a Business Manager line, a product that is described under the "Innovative and Flexible Lending Practices" section.
- A loan in the amount of \$555,000 was made in February 2002 to a for-profit entity for the purpose of acquiring and improving a commercial building located in a moderate-income census tract in Beverly. The building houses an area non-profit agency as well as a homeless shelter

V. Innovative or Flexible Lending Practices

Danvers Savings Bank offers various credit products with flexible criteria and underwriting guidelines to help meet the credit need of small businesses and low- and moderate-income individuals. The bank's success at helping small businesses through its SBA lending is particularly noteworthy.

As mentioned previously, Danvers Savings Bank was ranked 3rd in SBA lending in Massachusetts in 2000 and 2001, behind Fleet Bank and Citizens Bank of Massachusetts, both of which are much larger in asset size. The following list details the bank's SBA program and the various other flexible loan products offered.

Small Business Administration (SBA) - Danvers Savings Bank is an SBA "Preferred Lender," a designation awarded to a limited number of lenders in Massachusetts. Banks are awarded the Preferred status for demonstrating their commitment to and success at meeting the credit needs of the small business market. As a designated "Preferred Lender," Danvers Savings Bank is able to streamline the loan application process and approve its own SBA loans within a few business days.

The majority of Danvers Savings Bank's SBA loans are made under the 7(A) Loan Guaranty Program. The program helps provide loans to small businesses that are unable to secure financing on reasonable terms through normal lending channels. The bank funds the entire loan amount and the SBA guarantees a certain percentage (75 percent to 90 percent) depending on the size and use of the loan proceeds.

The bank also offers loans under the 504 Certified Development Company (CDC) program, which provides growing businesses with long-term fixed-rate financing for major fixed assets, such as land and buildings. CDCs are nonprofit corporations set up to contribute to the economic development of their communities. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. A typical 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project, a loan secured with a junior lien from the CDC covering up to 40 percent, and a contribution of at least 10 percent from the small business.

Danvers Savings Bank originated 21 SBA loans totaling \$4,001,918 in 2000 and 19 loans totaling \$3,770,414 in 2001. According to reports compiled by the SBA, Danvers Savings Bank ranked third in SBA lending in Massachusetts in both 2000 and 2001, behind Fleet National Bank and Citizens Bank of Massachusetts, both of which are significantly larger in asset size than Danvers Savings Bank.

Business Manager - Danvers Savings Bank is licensed to offer this program by Private Business, Inc. for the purpose of managing accounts receivable and improving cash flow for businesses. The bank purchases the accounts receivable from the business at a discount, bills the account debtors for amounts due, receives payments from the debtors, and monitors and controls the entire process through the use of the Business Manager software. In 2000, five new businesses contracted with Danvers Savings Bank for Business Manager lines for a total of \$1,900,000 and in 2001, six new businesses contracted with the bank for a total of \$2,250,000.

Massachusetts Housing Finance Agency (MHFA) Get the Lead Out - This program provides low-cost financing for owners of 1-4 family properties for lead paint removal. MHFA funds the loans, but Danvers Savings Bank underwrites the applications, prepares all documentation, and supervises the loan closings. Danvers SB helped originate 13 loans totaling \$219,470 and 7 loans totaling \$136,882 inside their assessment area in 2000 and 2001, respectively.

MHFA Title 5 Septic System Program - This program provides low-cost financing for owners of 1-4 family properties for homeowners to upgrade septic systems to meet current regulations. MHFA funds the loans, but Danvers Savings Bank underwrites the applications, prepares all documentation, and supervises the loan closings.. Danvers Savings Bank helped originate 13 loans totaling \$257,220 and 9 loans totaling \$176,025 inside their assessment area in 2000 and 2001, respectively.

First Time Homebuyer (FTHB) Program - This program offers flexible underwriting criteria and reduced closing costs to first time homebuyers. The bank made 12 loans totaling \$1,930,700 and 11 loans totaling \$2,310,150 inside their assessment area in 2000 and 2001, respectively.

VI. Fair Lending Policies and Practices

The bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as staff training, fair lending procedures, a loan application and an evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, the Consumer Protection Act, and the Community Reinvestment Act.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

Minority Application Flow

As of the 1990 census, Danvers Savings Bank's assessment area contained 433,327 individuals, 29,127 or 6.7 percent of whom are minorities.

For the period reviewed, the bank received a total of 7 HMDA reportable applications from various minority groups, representing 2.2 percent of all applications received from within its assessment area.

An analysis was also performed comparing the bank's application flow levels in 2000 to all other HMDA-reporting lenders throughout the assessment area. This data indicated that the bank received 0.9 percent of its applications from minority applicants compared to 7.5 percent for all other lenders.

VII. Loss of Affordable Housing

The bank's participation in community development lending projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

CONCLUSION– Lending Test

Based on all of the above information, Danvers Savings Bank has demonstrated an excellent level of lending inside its assessment area. The bank has achieved an excellent distribution of loans to borrowers of different incomes and to small business borrowers. Additionally it has made a significant number of community development loans and has achieved a good number of loans under government and flexible lending programs, especially the SBA. Therefore the bank's lending performance receives a rating of Outstanding.

INVESTMENT TEST

The investment test evaluates the bank's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include 1) providing affordable housing for low- or moderate-income individuals or areas, 2) providing community services targeting low- or moderate-income individuals or areas, 3) promoting economic development by financing small businesses, or 4) revitalizing or stabilizing low- or moderate-income geographies. Investment performance is evaluated based on the level, innovativeness or complexity, and degree of responsiveness to community needs.

Investment and Grant Activity

Since the prior examination, Danvers Savings Bank has demonstrated a high level of investment and grant activity. Investments are primarily made through Small Business Investment Companies (SBIC). SBIC's are licensed by the U.S. Small Business Administration (SBA) and are privately owned and managed for-profit venture capital firms that make their own investment decisions. They provide both the capital and management expertise that small companies need to create jobs, develop products and services, and grow over time. Management has been an active investor in these funds by providing referrals and submitting business plans for potential investment consideration.

Overall, investments during the review period included new commitments to qualified investments of \$500,000 as well as advances on prior commitments and other qualified investments totaling \$395,468. Additionally, the regulation allows for recognition of qualified investments retained on the bank's books. As of the examination date, Danvers Savings Bank has one qualified investment that was fully funded and retained by the bank. The investment has a current book value of approximately \$250,000.

The bank's level of grants to qualified community groups, organizations and non-profits remains high. For the time period covered by this evaluation, Danvers Savings provided \$231,359 in qualified grants representing 63.4 percent of all contributions.

QUALIFIED INVESTMENTS

New Commitments and Advances

The following reflects new commitments and advances on those commitments during the review period. These commitments total \$500,000. Advances made on these commitments total \$96,600.

Mass Business Capital Fund II, LLC Commitment: \$250,000 Advances: \$46,600

The objective of the fund is to provide a long-term capital delivery mechanism to established small businesses, generally those with \$10,000,000 or less in annual sales, in need of capital growth. In addition, the fund seeks to concurrently stimulate economic growth and promote job creation and retention in the Commonwealth. The fund makes investments, primarily in established companies, in the form of mezzanine instruments in the \$250,000 to \$750,000 range. The total investment in any one company will generally not exceed \$1,000,000. The Fund is administered by the Massachusetts Business Development Corporation (MBDC), a Small Business Investment Corporation (SBIC). The fund is structured as a Limited Partnership. MBDC is the General Partner and invested \$2,500,000. The fund offered, in a private placement, \$10,750,000 of private limited partnership interests to investors. There are thirteen Limited Partners, consisting of

individual and institutional investors, each committing between \$250,000 and \$1,000,000. To date, Danvers Savings Bank has funded approximately 19 percent of the \$250,000 commitment in one installment of \$46,600 made on June 6, 2001. Danvers Savings Bank's commitment represents 2.33 percent of the fund. The fund will terminate ten years after the expiration date of its formation.

North Atlantic Venture Fund III, LP Commitment \$250,000 Advances: \$50,000

Danvers Savings Bank committed \$250,000 to North Atlantic Venture Fund III in April 2001. The bank funded \$50,000 of its commitment in two installments of \$31,250 in May 2001 and \$18,750 in December 2001.

North Atlantic Venture Fund III is administered by North Atlantic Capital Corporation, an SBIC. The purpose of the fund is to provide risk capital to established companies seeking growth through internal expansion or acquisition. The fund will also provide financing for the recapitalization or ownership change in established businesses. The fund primarily targets businesses located in the northeastern section of the United States.

Advances on Prior Commitments

Zero Stage Capital IV LP

Advances: \$125,000

In 1998, Danvers Savings Bank made a \$250,000 commitment to this SBIC, which provides financing, including mezzanine financing, for the start up of new businesses primarily in Massachusetts. Industry preference includes biotech, computer hardware and software, and energy. The majority of the portfolio investments are to start up companies within the greater Boston area. Danvers Savings Bank has fulfilled its entire obligation by making two capital contributions of \$62,500 each during the time period covered by this examination. Previous advances of \$125,000 were recognized in the last evaluation. The current book value of the investment is \$250,000.

Marathon Investment LP

Advances: \$270,468

In 1998, a commitment of \$500,000 was made to this SBIC, which provides mezzanine and other financing to established companies in Massachusetts. This fund invests in manufacturing, distribution, specialty retail and service businesses that are profitable and have continuing growth opportunities. Of the total commitment, two advances of \$95,029 and \$175,439 were made in February and May 2001. Previous advances of \$161,483 were recognized in the last evaluation. The current book value of \$431,952 is reflective of all advances.

Qualified Grants

Danvers Savings Bank is very responsive to and often plays a leadership role in addressing community credit needs. A comprehensive charitable contribution policy is maintained and outlines the bank's commitment to servicing the assessment area. Contributions for calendar years 2000 and 2001 were budgeted on an annual basis at a rate of 0.03 percent of the bank's total assets. Disbursements are determined as follows: one-third of the funds are directed towards non-profit organizations headquartered in Danvers; one-third to the support of educational institutions located in Danvers (Danvers High School, St. John's Prep, North Shore Community College, and Bishop Fenwick High School); and \$5,000 is made available for each community in which the bank operates a branch or loan production office. The balance of the budget, approximately 8 percent of the total, is made available for miscellaneous contributions. A total budget of \$150,000 was made for 2002.

Total qualified grants and contributions for this evaluation period amounted to \$231,359 representing 63.4 percent of all contributions made by the institution. Annual levels of qualified grants were \$72,090 in 2000, \$131,069 in 2001 and \$28,200 year-to-date 2002.

Included in the contributions are annual education scholarships in excess of \$40,000, to area students based on financial need and academic achievement. Grants to area non-profits supporting efforts to meet the needs of low- and moderate-income families and individuals by providing affordable housing, health care, family counseling, food pantries and daycare were numerous. Additionally, Danvers Savings Bank took a leadership role in providing over \$24,000 in matching contributions for the victims of the 9/11/01 terrorist attacks.

CONCLUSION - Investment Test

Overall, the bank has made a good level of qualified community development investments. Given the bank's size and capacity, the bank has exhibited good responsiveness to credit and community economic development needs. Therefore, based on the above factors the bank's investment performance receives a rating of "High Satisfactory".

SERVICE TEST

The institution's Service Test performance was rated an overall "Outstanding." This rating is based upon an evaluation of the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Danvers Savings Bank's officers and staff at all levels have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate income individuals throughout the assessment area. The types of products and services offered to consumers meet the needs of the communities served. The following details the institution's services.

Retail Banking Services

Danvers Savings Bank's distribution of branches is reasonable, and adequate procedures are in place for opening and closing a branch office. Ten branch offices, including the main office, serve the assessment area. There have been no branch closings since the prior evaluation; however, on August 28, 2000 the bank opened a branch in a middle-income census tract in Reading. On September 26, 2001 the bank acquired Revere Federal Savings Bank and its two branches located in Revere (in a middle-income census tract) and Chelsea (in a low-income census tract). On November 5, 2001 the bank opened a branch in a middle-income census tract in Salem and on January 15, 2002 the bank opened a branch in a middle-income census tract in Wilmington. The locations of the bank branches adequately serve all segments of the community, as can be seen in the following table.

<i>Distribution of Bank Offices by Income Category of the Census Tract</i>						
Census Tract Income Category	Census Tracts in Assessment Area		Households		Bank Offices by Tract Location	
	#	%	#	%	#	%
Low	3	4	3,511	2	1	10
Moderate	15	19	31,294	19	2	20
Middle	46	57	94,517	59	7	70
Upper	17	20	31,793	20	0	0
Total	81	100	161,115	100	10	100

Source: U.S. Census and Bank Public File

In addition, the bank maintains a loan production office and remote ATM in Newburyport, Massachusetts, both of which are located in a middle-income census tract and a freestanding 24-hour ATM in Beverly in a moderate-income census tract.

The effectiveness of the bank's retail system in meeting the needs of the assessment area is further supported by the hours of operation. Operating hours vary slightly by branch location; however, virtually all offices offer extended hours at least one evening during the week as well as Saturday hours. Two of the branches provide drive-up banking Monday through Friday from 7:00 a.m. to 6:00 p.m. Three of the branches provide drive-up banking Monday through Friday beginning at 7:30 a.m. Finally, one office in Danvers maintains operating hours on Sunday.

Alternative Delivery Systems

Danvers Savings Bank provides around-the-clock banking by providing Automated Teller Machines (ATM), and telephone and on-line banking services. ATM capabilities for both checking and savings accounts are offered, as well as point of sale capabilities for checking account holders. The telephone bank system allows the customer to perform account inquiries, transfer funds, make loan payments, request faxed statements, and place stop payment requests. On-line banking was introduced to customers in 1999. This service allows customers to conduct transactions, re-order checks, pay bills and verify checks. In addition, customers can buy U. S. Savings Bonds on the Internet and obtain certificate of deposit and mortgage rates. Business customers can make domestic wire transfers and payroll transactions online. The website includes a demonstration of the service. Personal account holders can enroll free, with electronic bill payment free for the first six months. Alternative delivery systems reflect favorably on the institution's CRA performance as they contribute to the overall accessibility and convenience of retail services.

In addition to the many delivery channels, Danvers Savings Bank also offers many retail products that benefit people of all income levels, with many directly serving the needs of lower income customers. The bank offers three checking and savings accounts that meet the guidelines of Basic Banking for Massachusetts, which was launched to encourage those with modest incomes to establish banking relationships. The three accounts include a "Flat Fee Checking", a "Basic Checking" and a "Basic Savings" account. The Flat Fee Checking requires a \$10 dollar opening balance and features unlimited check writing with a \$5 monthly service charge. The Basic Checking account also requires a \$10 minimum balance, eight free withdrawals per month and a \$3 monthly maintenance fee. The Basic

Savings account features a \$1 opening requirement with no monthly fees or other service charges.

Other retail Services

The bank maintains Interest on Lawyers Trust Accounts (IOLTA). IOLTA is a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. This program allows attorneys to place client's funds in interest bearing accounts, such as NOW accounts, with the interest earned paid to one of three charitable entities: the Boston Bar Foundation, the Massachusetts Bar Foundation, and the Massachusetts Legal Assistance Corporation. Danvers Savings Bank currently has 49 IOLTA accounts with total balances over \$9 million. The bank has remitted over \$100,000 in interest to the charitable entities, since the inception of this program in 1998.

COMMUNITY DEVELOPMENT SERVICES

Danvers Savings Bank provides a wide range of community development services that have resulted in a better-educated community, increased awareness of community needs, and contributed to the overall revitalization of the communities served. The CRA regulation defines a community development service as a service that is primarily for a community development purpose, and is related to the provision of financial services. The following are a few examples of how Danvers Savings Bank's participation with various organizations has benefited the community.

Hospice of the North Shore: The President and CEO serves as a director and chairman of the finance committee for this organization. This organization offers a volunteer program and bereavement support service, and provides hospice care to those who cannot afford insurance.

Christmas in April: A Vice President of Commercial Lending sits on the Board of Directors for this non-profit/civic group that raises money to improve residential property for the needy by repairing and renovating their homes. Grant recipients are chosen by the City of Newburyport's Community Development Office.

Danvers Housing Assistance Trust: A Vice President of Commercial Lending sits on the Board of Directors and is the Treasurer for this organization that develops and maintains affordable housing, provides direct loans, and other assistance to low and moderate-income homebuyers and conducts seminars and training sessions.

Danvers Community Council: A bank Trustee serves as a director on this Council. In addition, this council also maintains the Danvers Food Pantry where the same Trustee also acts as a volunteer and Treasurer to this organization.

Revere Partnership for Economic Development: A bank Vice President serves as Co-Chairman of this private/public partnership made up of a broad-based coalition of business and civic interests whose mission is to help promote economic development in Revere and to support actions which serve to improve the economic climate of the city.

Massachusetts Small Business Advisory Council: The Senior Vice President of Commercial Lending, is the first Vice Chairman for this organization.

The community also benefits from Danvers Savings Bank's employee involvement in the following organizations: United Way, Morgan Memorial Goodwill Industries, Danvers Home for the Aged, the Hospice of the North Shore and various Chambers of Commerce throughout the bank's assessment area.

Educational Services and Seminars

In addition to its work with local community organizations, Danvers Savings Bank recognized the need for and established a wide variety of consumer education programs. Program topics have benefited small business owners, aspiring entrepreneurs, first-time homebuyers, school children and senior citizens. The bank's educational training is detailed below.

Success Strategies for Small Businesses: On a quarterly basis a Senior Vice President makes a presentation at the Enterprise Center located at Salem State College in Salem, MA. The Enterprise Center is an organization that is designed to help and guide people in starting their own businesses. Additionally, the center also assists the unemployed to find new careers. In May 2000, this Vice President made a presentation on the consultation strategies that promote consumer success in self-employment and small business at Assumption College. The conference was for counselors serving consumers who are blind or visually impaired. Each August, this Vice President makes presentations at the Small Business Administration's (SBA's) New England Regional Partnership Conference. Discussions are held about the bank's role in assisting and serving the needs of the small business owners. In 2001, this Vice-President made a presentation at the Danvers Senior Center, regarding small business ideas and how the bank can help. This individual was also present to give financial advice from a banker's point of view.

First Time Homebuyer Seminars: Affordable home ownership seminars for first time homebuyers were offered for four weeks during the spring of 2000 and 2002. The seminars were presented by the Danvers Housing Assistance Trust, Inc. and sponsored by Danvers Savings Bank and Cambridgeport Bank. The four session topics included banking and finance issues, legal aspects of owning a home, finding the right home, and the home inspection process.

Product and Service Seminar for Senior Citizens: A Bank representative spoke to residents of the Longwood Place Assisted Living Center in Reading in March 2002. The

seminar presented an overview on banking in general. It was designed to make them aware of the potential areas that seniors can be subject to in terms of fraud and elderly abuse. In addition, the seniors were provided with products that Danvers Savings Bank offers that may be beneficial to them.

Junior Achievement: The bank supports the Junior Achievement program in the Danvers School System. Two branch managers, as well as the branch administrator have been teaching elementary school children at the Highland School in Danvers. The lesson involves reading a story to the children on the principals of either saving or earning money and then following it up with an activity to reinforce the concept.

Literacy Program: In April 2002, representatives from the bank's Chelsea branch participated in a literacy program held at the Williams Jr. High School in Chelsea. The program was designed to encourage children to read. The children were provided with brochures and fliers explaining the various ways from them to save. In view of the fact that Chelsea has a large non-English speaking population the bank provided two employees who were fluent in Spanish.

Women and Investing: During the spring of 2001, an Assistant Vice- President held a series of free informational seminars. These seminars were designed to help woman understand investments and the options available to them. These seminars were held in the bank's Reading, Middleton, Beverly and Peabody branch offices.

CONCLUSION – Service Test

Danvers Savings Bank's systems for delivering retail banking services are readily accessible to geographies and individuals of different income levels in its assessment area. The bank's officers and employees have provided an excellent level of service activities primarily for community development purposes targeted to low and moderate-income individuals. Therefore, Danvers Savings Bank's service activities receive a rating of Outstanding.

APPENDIX A

SCOPE OF EXAMINATION

Danvers Savings Bank has two designated assessment areas. The bank's current assessment area contains 22 cities and towns located in the Boston and Lawrence MSAs.

With the exception of Boxford, which is in the Lawrence, MA-NH Metropolitan Statistical Area (MSA), all municipalities in the current assessment area are in the Boston, MA-NH MSA, and all, including Boxford, are within the Boston Consolidated Metropolitan Statistical Area (CMSA). Therefore, the analysis throughout this report will contain one assessment area.

The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 2000 through March 31, 2002 for HMDA reportable and small business lending.

All loans recorded on the bank's 2000, 2001 and year-to-date 2002 HMDA LAR were included in the evaluation of the bank's lending performance. In addition, all loans on the 2000, 2001 and year-to-date 2002 Small Business Loan Register were included in the evaluation of the bank's lending performance. A review of the bank's community development lending, investment and service activities were also evaluated from available reports and registers.

The examination also included a review of the bank's public file, which contained no negative CRA related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

DANVERS SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 16, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2)
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

